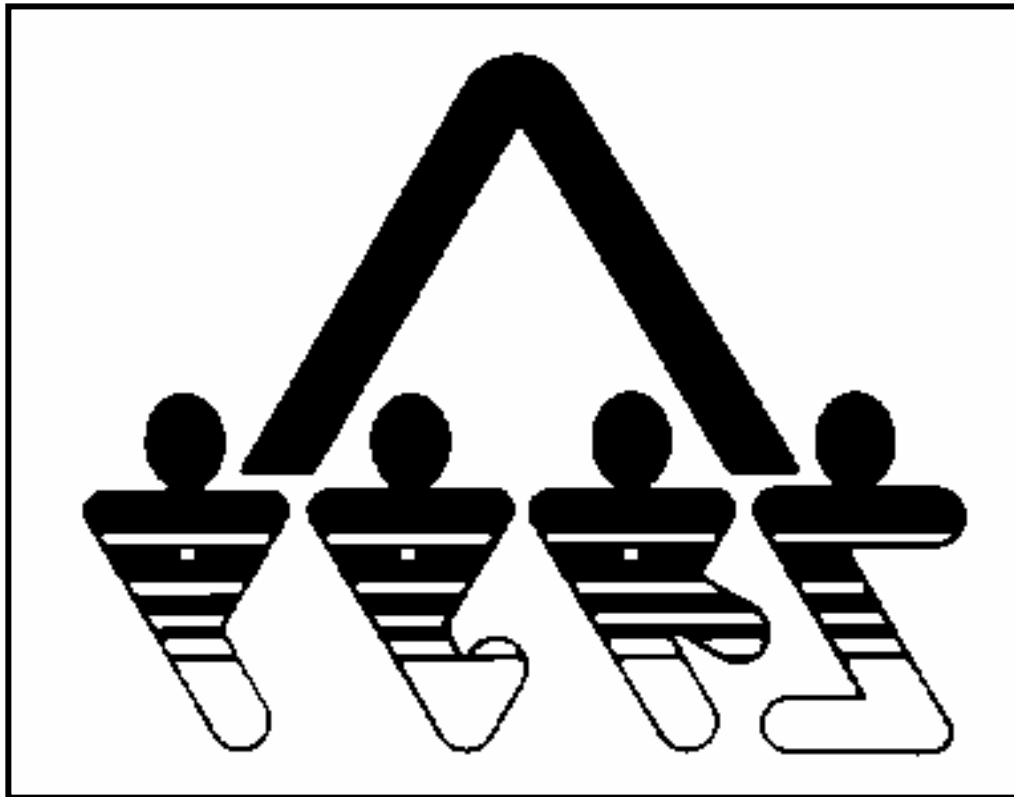
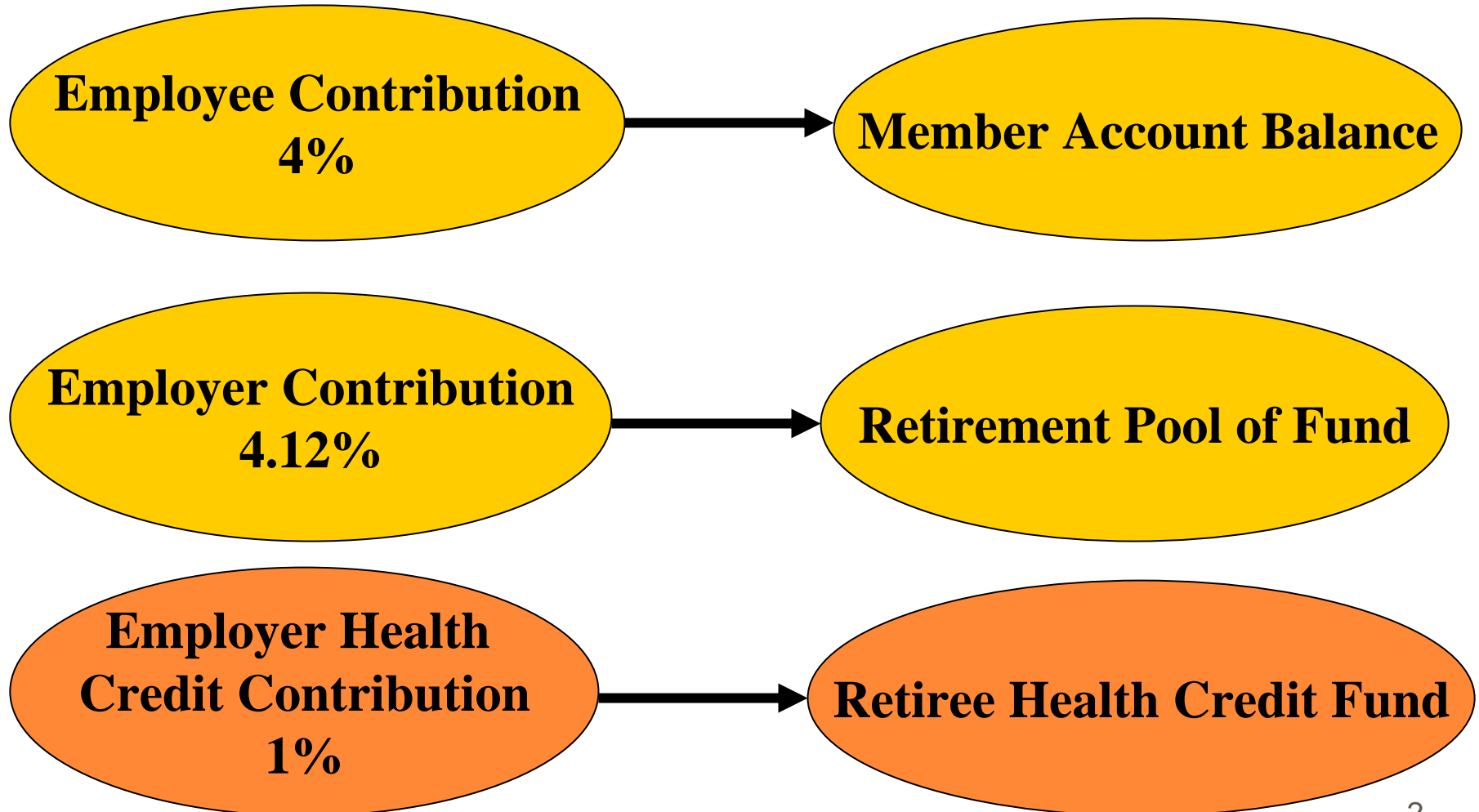


North Dakota Public Employees Retirement System



Contribution Allocation



What is PEP



⌘ Portability Enhancement Provision

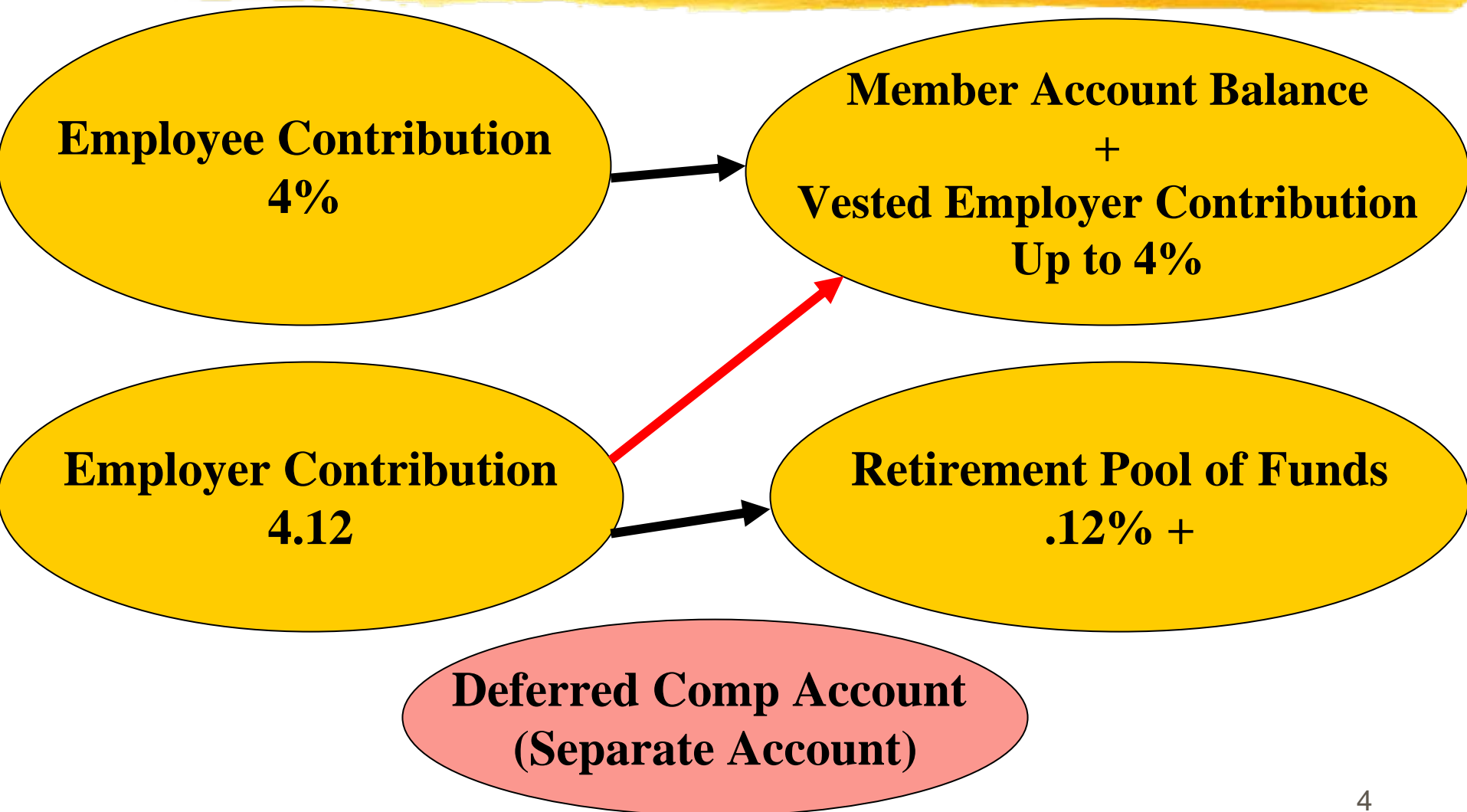
⌘ PEP allows you to vest in the employer contribution

- *Requires participation in a Deferred Compensation Plan*

⌘ Vested employer contributions are added to your member account balance

⌘ The result is increased portability

Contribution Allocation With PEP



How PEP Works

For every dollar you put in a Deferred Comp Plan, NDPERS will add one dollar to your member account balance, subject to a vesting schedule.



Employer Contribution Vesting Schedule (PEP)

Service Credit	Minimum	Maximum
0-12 Months	\$25	1%
13-24 Months	\$25	2%
25-36 Months	\$25	3%
37+ Months	\$25	4%



Let's See an Example



Member Account Balance without PEP \$5,221

Member Account Balance with PEP \$8,932

Difference= \$3,711

- Assumes 5 year participation
- 5% salary increase after 1st year
- 3% salary increase each following year
- 7.5% annual interest, compounded monthly



Let's See A Detailed Example

PEP & Your Annual Statement



Member's Account:

Previous Balance, June 30, XXXX	\$9,999.00
Member Contributions	\$ 999.00
Vested Employer Contributions (PEP)	\$ 999.00
Interest (through July, XXXX)	<u>\$ 999.00</u>
Balance as of June 30, XXXX	\$9,999.00

How To Activate PEP

- ⌘ If you are already enrolled in a deferred compensation plan continue participation.
- ⌘ If you're not at the maximum consider increasing your contribution.
- ⌘ Contact a Deferred Comp provider representative to enroll in an approved Deferred Comp Plan.



Service Credit

⌘ For each contribution, you will receive a month of service credit.



Vesting

⌘ You become vested the earlier of:

☑ Achieving 36 months (3 years) of
service credit

or

☑ Attaining 65 years of age



Purchase of Service Credit



⌘ Previous Employment:

- ☑ Non-Covered ND Governmental Service
- ☑ Out-of-State Governmental Service
- ☑ Refunded NDPERS Service

⌘ Federal Service

⌘ Legislative Service

⌘ Military Service

⌘ Leave of Absence

⌘ Generic (must be vested & limited to 60 months)

Purchase Provisions



⌘ Cost of Purchase

- ☑ Actuarial Calculation
- ☑ NDPERS Request for Purchase Information SFN 53718

⌘ Payment Methods

- ☑ Direct Rollover or Transfer of Pre-Tax Dollars
 - ☑ 401(a)
 - ☑ 401(k)
 - ☑ 403(b)
 - ☑ 457
 - ☑ Traditional IRA
 - ☑ Federal Employee Retirement System Thrift Savings Plan
 - ☑ 401(c) Keogh Plan (deposits from 401(a) or (k))
- ☑ Pre-Tax Payroll Deductions
- ☑ After-Tax Payroll Deductions
- ☑ Personal Payments

Sick Leave Conversion



Final Average Salary (FAS)

X

9.12%

X

Number of Months
(hours divided by 173.3)

=

\$Cost

Benefits at Termination

Member Account Balance Options:

⌘ Lump Sum Refund

- ☑ 20% federal tax withholding
- ☑ 21% ND state tax withholding
 - of the federal amount
- ☑ 10% penalty for early withdrawal

⌘ Direct Rollover

- ☑ Taxable & non-taxable monies
- ☑ Avoid tax & early withdrawal penalties

⌘ Combination rollover/refund



Member Account Balance Options (continued)

⌘ Leave Money Intact /Deferred Benefit

- ☑ Receive monthly retirement benefits as early as age 55 or attaining Rule of 85, whichever is earlier.
- ☑ Accrue interest 7.5% compounded monthly.
- ☑ Monies remain tax sheltered.
- ☑ May take a refund/rollover at a later date.



Disability Benefits

⌘ Long Term Disability

- ☑ Determined by Medical Consultant or
- ☑ Social Security Award

⌘ 25% of Final Average Salary (FAS)

⌘ \$100 per month minimum

⌘ Eligibility will be recertified



Surviving Spouse Benefits

Assumption: Member is Active Prior to Death

⌘ Lump Sum Payment

☑ Also applies to single and non-vested members

⌘ 60 Monthly Payments

⌘ Lifetime Payments

⌘ 100% Joint & Survivor Payment

(If deceased was age 65 or met Rule of 85)

“Early” Retirement



⌘ Age 55

⌘ Reduction of Benefits Under Age 65 or
Attaining Rule of 85, Whichever Occurs First

☐ 6% for each year

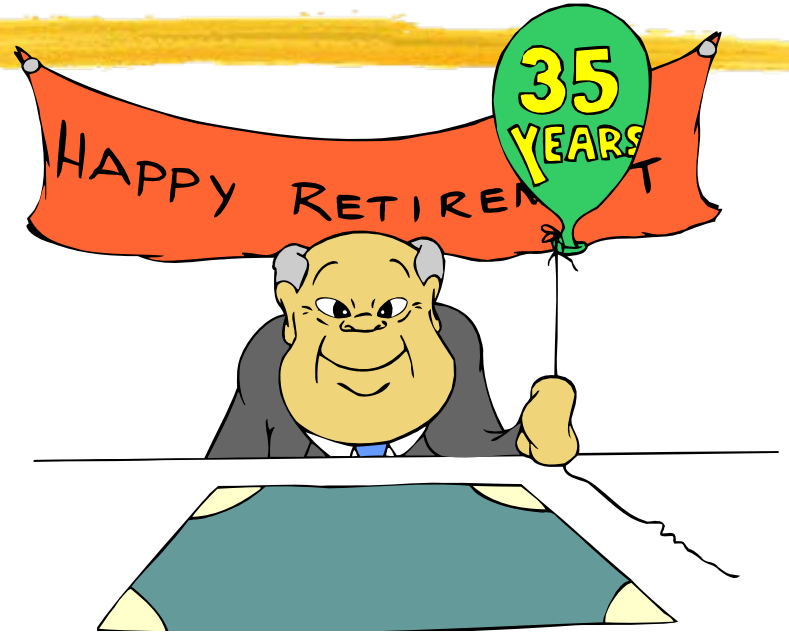
☒ .005 for each month

"Normal" Retirement

⌘ Attain Age 65

⌘ Achieve the Rule of 85

☑ Member's Age + Service Credit



Retirement Benefit Formula



⌘ Final average salary (FAS)

☑ The average of your highest 36 salaries during the last 120 months worked

⌘ Benefit multiplier

☑ 2.00%

⌘ Credited service

☑ One month of service for each contribution

(FAS x 2.00% x Service Credit = \$Single Life)

Retirement & Disability Benefit Options

- ⌘ Single Life
- ⌘ Joint & Survivor 50%
- ⌘ Joint & Survivor 100%
- ⌘ Ten Year Term Certain
- ⌘ Twenty Year Term Certain
- ⌘ Level Social Security Option

⏏ Not available for disability or PLSO



Partial Lump Sum Option



⌘ Effective 8/1/2005

☒ Referred to as PLSO

⌘ Only for retiring members at or past Normal Retirement

☒ Rule of 85/Age 65 (MainSystem/Judges)

☒ Rule of 85/Age 55 (Law Enforcement)

☒ Age 55 (National Guard)

☒ Rule of 80/Age 55 (Highway Patrol)

⌘ Excludes Disability Retirees and Surviving Spouses

⌘ Once in a life time election

☒ Made at initial application for retirement benefits

PLSO Continued



- ⌘ Payment equal to 12 months of Single Life/Normal benefit
- ⌘ Permanently reduces ongoing benefit
 - ☑ Approximately 10%
- ⌘ May still chose alternate benefit option
 - ☑ Joint & Survivor
 - ☑ Term Certain

PLSO Continued



- ⌘ Eligible to rollover to an IRA or other qualified plan
- ⌘ If not rolled over:
 - ☑ Taxed as ordinary income
 - ☑ Subject to automatic 20% withholding
 - ☑ Subject to an additional 10% penalty for early withdrawal, if under age 59½

Retirement Benefit Example

Assumptions: Member is Age 60 with a Spouse Age 56

Basic Retirement Benefit Calculation:

\$2,351 (FAS) x 2.00% x 24 Years = **\$1,128.48**

(Early Retirement Reduction 4%) **- 45.14**

(Early Single Life Monthly Benefit) **\$1,083.34**

Single Life Benefit = **\$1,083.34**

50% Joint & Survivor Benefit = **\$1,011.62** Spouse Benefit = **\$505.81**

100% Joint & Survivor Benefit = **\$948.90** Spouse Benefit = **\$948.90**

10 Yr Term Certain = **\$1,055.82** Beneficiary Benefit (If any) = **\$1,055.82**

20 Yr Term Certain = **\$992.34** Beneficiary Benefit (If any) = **\$992.34**

Retirement Benefit Example



Assumptions: Member is Age 60 with a Spouse Age 56

Rule of 85 Applies

Basic Retirement Benefit Calculation:

\$2,351 (FAS) x 2.00% x 25 Years = \$1,175.50

Single Life Benefit = \$1,175.50

50% Joint & Survivor Benefit = \$1,097.68 Spouse Benefit = \$548.84

100% Joint & Survivor Benefit = \$1,029.62 Spouse Benefit = \$1,029.62

10 Yr Term Certain = \$1,146.64 Beneficiary Benefit (If any) = \$1,146.46

20 Yr Term Certain = \$1,076.75 Beneficiary Benefit (If any) = \$1,076.75

Retirement Benefit Example

Assumptions: Member is Age 60 with a Spouse Age 56

Rule of 85 Applies

Basic Retirement Benefit Calculation:

\$2,351 (FAS) x 2.00% x 25 Years = \$1,175.50

PLSO = \$14,106.00

Single Life Benefit = \$942.75

50% Joint & Survivor Benefit = \$880.34 Spouse Benefit = \$440.17

100% Joint & Survivor Benefit = \$825.75 Spouse Benefit = \$825.75

10 Yr Term Certain = \$918.40 Beneficiary Benefit (If any) = \$918.40

20 Yr Term Certain = \$863.56 Beneficiary Benefit (If any) = \$863.56

Benefit Increases



Date	Benefit Adjustment	1977 Retiree with \$500 Monthly Benefit
7/77	1.04%	\$ 500.00
7/83	15.38%	\$ 576.92
7/85	8.33%	\$ 625.00
7/87	15.38%	\$ 721.15
7/89	15.76%	\$ 834.81
7/91	2.42%	\$ 855.01
8/93	2.00%	\$ 872.11
1/94	1.00%	\$ 880.83
8/97	5.00%	\$ 924.87
8/99	8.00%	\$ 998.86
8/01	6.00%	\$1058.79

On-Line Services



⌘ One-time Registration

⌘ Compute

- ☑ Retirement Benefit Estimates

- ☑ Disability Benefit Estimates

⌘ View

- ☑ Member Account Balance

- ☑ Current Annual Statement